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IMPROVEMENT OF TRANSIT TRANSPORT SYSTEMS IN LANDLOCKED AND TRANSIT DEVELOPING COUNTRIES: ISSUES FOR CONSIDERATION

Report by the UNCTAD secretariat

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EXECUTIVE SUMMARY

1. As world trade continues to increase at a remarkable pace, so has the need for more efficient, economic and environmentally sound transport. Better transit transport services in terms of speed, reliability and flexibility have been used to retain markets or capture new ones or to justify a rise in price, thereby generating additional revenues.

2. The lack of territorial access to the sea, aggravated by remoteness and isolation from world markets and by the prohibitive transport costs associated with conditions of inadequate infrastructure, imbalance of trade, inefficient transport organization, poor utilization of assets and weak managerial, procedural, regulatory and institutional systems, poses serious constraints on the trade and economic development of landlocked developing countries.

3. This study takes a close look at the magnitude and structure of transit costs facing a selected number of landlocked developing countries to shed light on the problems they face and to indicate how such costs could be reduced. The study reveals, in the first place, the high element of land transit transport costs compared with ocean freight charges. This finding suggests that any attempt to increase the competitiveness of the exports of landlocked developing countries will primarily have to aim at influencing the level and structure of costs occurring in the land transit operation. The second general observation relates to the apparent parity of freight charges between rail and road transport in many routes, which suggests that modal choice is mainly a function of quality of services. This places a high premium on inter-railway coordination, without which the future of railways will be bleak indeed.

4. Policy changes since 1997 which have made railroad competition possible should be encouraged. It is important, however, that competition takes place on a level playing field. This requires on the one hand that road transport pays road charges which are high enough to reflect the full cost of road construction and maintenance, and on the other, that transport operators' hands are not tied by the unnecessary and cumbersome procedures and numerous costs imposed on them in the countries of transit. If road operators were made to pay reasonable charges for the use of infrastructure, they would expect it to be kept in good condition. In this regard, progress is being made to strengthen appropriate institutions, such as Road Funds, that are dedicated to the maintenance of road transport infrastructure. Another area which needs strong action relates to the notorious practice of road vehicle overloading, which accelerates vehicle depreciation and causes much road damage. There is also a need to raise the professional level of transport operators. The problem is particularly serious in West Africa, where many road carriers still operate in the informal sector, using old and small open-top lorries not suitable for transit operations. It is the use of this inappropriate type of vehicles that makes customs escort necessary, as well as elicit vigorous police inspections.

5. Procedures and documentation can have a strong impact on transport costs. Because the exchange of goods requires not only the physical transportation of goods but also flows of information largely encoded in documents, and flows of money in payment for the fulfilment of contracts, cumbersome procedures and documentation have a direct influence on transit costs. When documents accompanying goods are held up, so are the goods.

6. Harmonization, simplification and standardization of transit procedures and documentation have played a critical role in improving transit systems. Regional instruments and common standards that have made a difference in transit operation in Africa include: the COMESA Carrier Licences and Transit Plates, widely used in eastern and southern Africa; harmonized axle load limits in West Africa, eastern and southern Africa; harmonized transit charges in eastern and southern Africa; and, the operation of third-party motor vehicle insurance schemes in West Africa and eastern and southern Africa.

7. It has taken considerable courage on the part of Governments to adopt and implement such radical changes as the privatization of railways and liberalization of transport services, but the pay-off, in terms of increased efficiency of transit operations, has encouraged some Governments to widen and deepen areas of cooperation. In southern Africa, where some of the most successful reforms have been

undertaken, new programmes include efforts to establish a regional customs transit system, and to consolidate and extend computerization of customs procedures and transport information systems, and the establishment of joint inspection border posts.

INTRODUCTION

8. In paragraph 11 of its resolution 52/183 of 18 December 1997, the General Assembly requested the Secretary-General of the United Nations to convene in 1999, within the overall level of resources for the biennium 1998-1999, another meeting of governmental experts from landlocked and transit developing countries, and representatives of donor countries and financial and development institutions, including relevant regional and subregional economic organizations and commissions, to review progress in the development of transit systems, including sectoral aspects, as well as transit transportation costs, with a view to exploring the possibility of formulating necessary action-oriented measures.

9. This report, which is in response to that request, contains three sections. The first section reviews recent developments in key areas of transit transport ploicy. It underscores the dependence of landlocked developing countries on commodity exports and therefore their vulnerability to erratic international commodity prices and adverse weather conditions. It also highlights recent changes in trade and transit transport patterns and evaluates the impact of transit policy on transport costs and services.

10. The second section takes a closer look at the magnitude and structure of transit costs and highlights the impact of procedures and documentation on such costs. The analysis of magnitude and cost structure is based on field research conducted by the United Nations Conference on Trade and Development (UNCTAD) in 1999 in five subregions: north-east Asia; West Africa; central Africa; Eastern Africa; and southern Africa.

11. The third section draws conclusions and makes proposals for future action. The section identifies a few priority areas for action. The point is made that while the primary responsibility by implementing the recommendations is that of landlocked countries and their neighbours, it is expected that strong support will be extended by the international donor community.

I. RECENT DEVELOPMENTS IN KEY AREAS OF TRANSIT TRANSPORT POLICY

A. Transit transport policy changes

12. The rapid expansion of international trade has broken old barriers and strengthened international cooperation. Efforts to create a stable economic policy environment in landlocked and transit developing countries are having a positive impact on transit transport operations. A change in attitudes and perceptions has helped to make public services, such as customs, ports and railways, more service oriented, thereby creating a better environment for transit transport operations.

13. Policy changes in the past two years that have had a direct impact on transit transport include the reform of railways (commercialization or privatization); liberalization of transport services; relaxation of foreign exchange regulations; rationalization of fiscal policies; currency devaluations; increased use of electronic data interchange; establishment of stronger institutional support arrangements for transit; entry into force of comprehensive intergovernmental agreements, and public and private sector collaboration.

1. Liberalization of transport services

14. Progress is being made on the liberalization of transport services at both the national and regional levels. At the national level, initiatives relate to the break-up of railway monopolies and to opening the door to road competition. At the regional level, actions involve both the break-up of railway monopolies and the opening of national transport markets to foreign competition.

15. More progress has been made in liberalizing transport services at the national level than at the regional level. In many landlocked and transit developing countries, national railway companies now compete with road transport operators on an equal footing. This policy change, which was not easy to effect, is being implemented against strong protest by railway administrations who see it as a threat to railway transport. But not all railway administrations have accepted defeat;

some have decided to fight back. Malawi Railways is a case in point. After years of heavy losses, the railway company went bankrupt in 1993 and was restructured, a process that included the closure of some passenger services and unprofitable lines and retrenchment of workers. In addition, the company's two main divisions, Railway Services and Lake Services, were divided into separate companies in 1995. In 1995 Malawi Railways recorded a small profit for the first time since the 1970s, mainly as a result of the restructuring exercise. Prospects have been buoyed by the increased volume of external freight traffic and continuing restructuring in the run-up to full privatization sometime in 1999.

16. The impetus of liberalization of transport services at the national level has had a contagion effect at the regional level in some regions but not in others. In eastern and southern Africa, the breakdown of monopolies at the national level led to a general relaxation of restrictions, allowing foreign operators to penetrate new markets. Liberalization of transport services at the regional level was formalized under the Common Market of Eastern and Southern Africa (COMESA) Carrier Licence scheme. Licences issued under the scheme in any member State are accepted by all the others. This liberal environment in eastern and southern Africa has led to fierce competition and efficiency in road transport, forcing railways also to adjust and improve.

17. In West Africa, liberalization at the national level has not been followed up at the regional level. Cargo allocation regulations continue to insulate transport operators from landlocked countries against competition, guaranteeing them two thirds of the cargo moving to and from landlocked countries. This protection has not been used by transport operators in landlocked developing countries to modernize their operations. Many road hauliers still operate in the informal sector. They lack the managerial skills and capital to invest the in heavy-duty vehicles without which they cannot offer cost-effective transport services.

2. Railway autonomy

18. The autonomy enjoyed by railway administrations in many countries, by contrast has enabled them to take measures that have improved railway services and performance. In East Africa, for example, Uganda and United Republic of Tanzania Railways operate block trains between Dar-es-Salaam and Kampala; as do Uganda and Kenya Railways between Mombasa and Kampala. Such services have reduced delays and improved the reliability of supply, making it possible for traders to keep smaller buffer stocks. The railway administrations in southern Africa acting under the auspices of the Southern African Development Community (SADC) have devised a Regional Action Plan (RAP) which has improved operational efficiency at the regional level and enabled them to respond more effectively to road transport competition.

3. Privatization of railways and other public utilities

19. Privatization of railways has normally involved the grant of a long-term concession to private sector operators in return for new investments and better management with the objective of improving railway capacity and performance. In the case of the Abidjan-Niger Railways, a concession of 17 years was granted to SITARAIL dominated by a French private enterprise, Saga, which has promised to invest CFA F 33 billion (US$ 62.6 million)for purchase of rolling stock and improvement of infrastructure and telecommunications. The privatization of the 1,260- km Abidjan-Niger Railways in 1995 will soon be followedup by Cameroon Railways. Other railways contemplating similar action include Malawi, Mozambique, United Republic of Tanzania and Zambia.

4. Foreign exchange regulations

20. Relaxation of foreign exchange regulations has removed some important obstacles to transit trade, also enabling private sector transport operators in many landlocked and transit developing countries to retain some hard currency for purchase of spare parts and equipment. On a day-to-day basis, the ease with which hard currency can be obtained in banks or foreign exchange bureaux has facilitated travel and transit operations and their agents. Truck drivers can obtain hard currency to pay transit fees and other expenses required in the countries of transit. Relaxation of foreign currency regulations has also reduced delays and uncertainty, thereby contributing to improved transit transport services.

5. Currency devaluation

21. The devaluation of the CFA franc in 1994 caused a temporary shortfall in transit traffic because of reduction in imports. But the impact of devaluation, together with other demand-boosting policies including wage increases, has stimulated the economies of Burkina Faso, Mali and Niger, thereby boosting transit transport and trade in West Africa as a whole.

6. Transit transport information systems

22. Transit transport information systems are being installed to track transport equipment and consignments, thus improving the efficiency of railway operations. The UNCTAD Advance Cargo Information System (ACIS) started in 1988 and is operational or being installed in 14 countries of which five (Burkina Faso, Malawi, Mali, Uganda and Zambia) are landlocked. The SADC railway authorities are in the process of implementing a Regional rolling stock information system (RSIS) sponsored by the United States Agency for International Development (USAID). This is a major project which will cover all countries that have not installed a real-time information system. The objective of the project is to enhance the predictability of services, improve rolling stock utilization and enable railways to give their customers in the landlocked countries accurate information on the location of their shipments throughout the 45,000 kilometers of the SADC railway network.

7. Customs transit information systems

23. Efficient information processing and transfer systems contribute to facilitating customs transit procedures. They can ease the burden of customs staff, reduce truck waiting times, reduce paper documentation and speed up procedures of discharge of customs bond and security. More than 70 countries worldwide have now adopted UNCTAD's, Automated System for Customs Data(ASYCUDA). The participating countries include many landlocked countries.

8. Institutional support arrangements for transit

24. Managing change on a sustainable basis requires organization. Both the public and private sectors are taking action to establish appropriate institutions geared to support transport and transit operations. Many Governments now have separate Ministries responsible for transport, public works and telecommunications. Some of them have also created new autonomous bodies such as Road Funds, which are dedicated to the maintenance and rehabilitation of transit routes. At the private sector level, there is more awareness that the business community could better defend its interests if it was more effectively organized. Initiatives to establish new professional associations have multiplied. These involve such occupations as road hauliers and forwarding and clearing agents. Professional organizations will strengthen the participation of the private sector in the consultative and decision -making processes.

9. Intergovernmental agreements

25. Progress is being made in the number of countries acceding to international conventions and concluding regional and bilateral agreements. Since 1997 there has been a flurry of activity, especially in the newly independent landlocked developing countries of Central Asia, which have acceded to a number of international conventions.[1]

26. The Central Asian countries have also signed or adopted a number of regional agreements or arrangements, including: (a) the transit transport framework agreement among member States of the Economic Cooperation Organization, adopted at Almaty, Kazakhstan, on 9 May 1998; (b) the Tashkent Declaration of 26 March 1998 on the United Nations special programme for the economies of Central Asia, signed by the

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[1] Convention on Road Traffic, 1968; Protocol on Road Signs and Signals, 1949; Convention on Road Signs and Signals, 1968; Convention on the Contract for the International Carriage of Goods by Road (CMR), 1956; Customs Convention on the International Transport of Goods under Cover of TIR Carnets, 1975.

Heads of State of Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan, and by the Economic Commission for Europe and the Economic and Social Commission for Asia and the Pacific; and (c) the signing of the Baku Declaration of 8 September 1998 relating to the implementation of the expanded Transport Corridor-Europe-Caucasus-Asia programme.

27. The basic thrust behind intergovernmental agreements has been the recognition that transit transport cannot occur efficiently without agreement on a common set of rules among countries sharing particular corridors and routes. Without such agreements, transporters would be forced to adjust to different legal and technical requirements in each of the countries they pass through, exposing them to repeated inspections and wasteful delays.

28. Transit transport agreements normally include: (a) provisions relating to freedom of transit; avoidance of unnecessary delays; exemption from taxes and other charges except those required to meet the administrative costs of transit; (b) designation of transit transport corridors, including rail, road, and inland waterways; (c) provisions relating to maritime ports and facilities to be provided for use of transit traffic; (d) general conditions for road transport, including use of appropriate traffic regulations, provisions regarding road transport permits, technical requirements for vehicles, mutual recognition of driving permits and motor vehicle third-party insurance provisions;(e) general conditions for rail transport, including designated interchange stations at borders and arrangements for technical inspections; (f) simplified harmonized and standardized customs and administrative procedures, joint inspections, and the establishment of a customs transit systems; and (g) establishment of institutional arrangements for transit.

10. Public and private sector collaboration

29. Public and private sector collaboration is improving. Old perceptions are giving way to the realization that the private sector as the main provider of transport services has first-hand knowledge of the bottlenecks and obstacles encountered in day-to-day operations, and as such, is usually best suited to identify problems and propose viable and practical solutions. The private sector has a major stake in ensuring that transit transport facilitation succeeds because it is a direct beneficiary of the measures designed to harmonize inter-State regulations and simplify administrative and customs regulations. Thus, the participation of the private sector in policy formation would not only facilitate the adoption of suitable measures but also secure sector's cooperation in implementing them.

30. In southern Africa, public and private sector collaboration has been strong. It is best exemplified by the so-called "Corridor Development Groups (CDGs)". The CDGs provide the institutional framework within which the public and private sectors work together to develop transport corridors. While the public sector takes responsibility for investing in physical infrastructure, the private sector identifies and invests in viable and profitable projects along the corridor. Private sector projects include construction of container depots; cold store chains; and commercial farming. Ten years after the Beira Corridor Group (BCG) was established, southern Africa witnessed the establishment of two new CDGs in 1998 and 1999 respectively. These are the Maputo Corridor, along the Maputo-Rassano Carcia Railway which links South Africa to the port of Maputo in Mozambique; and the Mtwara Corridor Group (MCG), which aims to develop the port of Mtwara in United Republic of Tanzania to serve the country's southern provinces, as well as the transit trade of Malawi, Zambia and northern Mozambique.

B. Emerging trade and transit patterns

1. Emerging trade patterns

31. Although many landlocked developing countries still depend on a few agricultural commodities and/or minerals for their foreign currency earnings, diversification is under way as part of their overall programmes of economic development. Evidence of emerging production and trade patterns is apparent in a number of landlocked developing countries, notably Bolivia, Botswana, Mongolia and Uganda. The mining industry in Bolivia, apparently buoyed by gold production has

rebounded. In addition, investments in commercial agriculture in the eastern lowland department of Santa Cruz have made Bolivia an important exporter of soya beans. In Mongolia, the exploitation of hydrocarbons in the near future is expected to further strengthen trade exchange with the China. In Uganda, while coffee remains the main export crop, foreign exchange receipts from non-traditional exports, notably fish and fish products, maize, beans, gold and gold components, have significantly increased. Important mining projects under way in Mali and Burundi will also broaden the production base and change the trade pattern for these countries.

2. Emerging transit transport patterns

32. The development of new production areas are changing transit transport patterns. In Bolivia for example, the development of the Eastern lowlands for commercial agriculture and the construction of an oil pipeline to supply Brazil is tilting the country's direction of trade towards the Atlantic coast. Burundi has recently opened up a new transit route to the South via lake Tanganyika. This route is important for imports of sugar, cement and other consumer goods from the Southern African countries of Malawi, Zambia and South Africa. The secession of hostilities in Mozambique has restored Malawi's shortest route to the sea via the port of Nacala. Nacala is only about 600 km from Malawi, while the alternative maritime ports of Durban and Beira are approximately 3000 km, and 800 km, respectively, away from Malawi. Improving the efficiency of these new transit routes will reduce transport costs of the landlocked countries concerned and contribute to regional and international trade expansion.

II. MAGNITUDE AND STRUCTURE OF TRANSIT COSTS IN SELECTED LANDLOCKED DEVELOPING COUNTRIES

33. Landlocked developing continue to suffer from excessive transport costs. High import transport costs inflate the consumer prices of imported goods, and high transport costs on exports undermine their competitiveness in foreign markets.

34. A rough measure of the transit cost disadvantage faced by landlocked developing countries is provided by balance-of-payment statistics which show freight cost as a proportion of c.i.f. values. In 1994, freight costs were approximately 4.0 per cent of the c.i.f. import values of developed economies, and 7.2 per cent of the c.i.f. import value of developing countries, while the average for landlocked developing countries was 14.7 per cent. Landlocked developing countries in West Africa incur the highest rates, - about 27.5 per cent - followed by East Africa, with approximately 23.6 per cent. The proportion of freight costs in southern Africa and Latin America is 10.7 per cent and 16.2 per cent, respectively.[2]

35. On the export market, in 1994 landlocked developing countries spent about 17.7 per cent of their export earnings for payment of transport services, while the average for all developing countries stood at 8.7 per cent. When the figure is compared to trade tariffs in major developed markets (United States, Canada, European Union, Japan), the payment of transport services constitutes, higher barriers to the trade of landlocked developing countries than trade tariffs because the post-Uruguay Round most-favoured-nation (MFN) tariffs of Canada, European Union, Japan and the United States will range between 3.7 per cent in the United States and 7.1 per cent in Canada, once the negotiated reductions are fully phased out.

36. The high cost of international trade for landlocked developing countries is a serious barrier to trade. The factors accounting for the high cost include inadequate infrastructure; imbalance of trade; inefficient transport; poor utilization of assets, and a proliferation of cumbersome government regulations and procedures.

37. International transport costs may be defined as the direct and indirect costs which are incidental to the transportation of goods from a point of loading up to destination. The definition of cost could be based on port-to-port, door-to-door, port-to-door or door-to-port. The largest proportion of such costs goes to freight charges, with inland freight being higher than sea freight (see Table 1). Other

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[2] UNCTAD/LDC/104

costs include some or all of the following: (a) handling charges at terminals, warehouses, ports, airports, inland depots; (b) storage costs; (c) insurance costs; (d) documentation; (e) clearing and forwarding agents' fees; (f) costs incurred for customs clearance; (g) banking fees; (h) administrative costs; (i) security costs incurred in providing additional security arrangements for avoiding dilution and loss by pilferage of goods in transit; (j) costs incurred in crossing frontiers, fees for various overlapping sanitary or health inspections; (k)additional costs for delays in excess of normal transit time and uncertainty of traders; (l) monopoly elements, inflated costs of transport inputs, informal payments; and (m) demurrages for failure to turn in containers on time.

Table 1: Comparison of transit and ocean freight costs of imports to a selected number of landlocked developing countries from north-western Europe or Japan
(Rates in 1999 in US $ per twenty-foot equivalent unit)

Landlocked developing country	Approximate land transit distance and rate			Approximate Ocean rate		Land rate factor
	Distance (km)	Mode	Rate	Port	Rate	
Ndola (Zambia)	3119	Rail	4174	Durban	1125	3.7
Ndola (Zambia)	1424	Road	3751	Beira	1050	3.5
Blantyre (Malawi)	825	Road	336	Beira	1200	2.8
Ulaanbaatar (Mongolia)	1693	Rail	1370	Tianjin	530	2.6
Kigali (Rwanda)	1867	Road	4400	Mombasa	1350	3.3
Kampala (Uganda)	1187	Road	1375	Mombasa	1200	1.2
Ouagadougou (Burkina Faso)	1192	Road	1192	Abidjan	1250	0.9
Niamey (Niger)	1170	Road	2500	Lomé	1350	1.6

Source: UNCTAD

38. A comparison between ocean freight charges paid for containerized imports and inland transit costs shows the relative importance of the latter. The difference is quite significant, with land factors of between 1 and 3, suggesting that any attempt to reduce the transport cost of imports or of landlocked developing country exports will primarily have to aim at influencing the level of costs accruing to inland transit operations.

A. North-east Asia

1. Transit transport systems

39. The North-east Asian region has one landlocked developing country, Mongolia - a large country covering 1.56 million square kilometres. Mongolia lies between Russia and China, and its trade links to the world pass through these two countries. Taking Ulaanbaatar as a starting point, the three major surface routes are: (a) to Sukhbaatar (Naushkii) by Mongolian Railways and onwards to Vladivostok port (or Nakhodka port) by Russian Railways; (b) to Sukhbaatar (Naushkii) by Mongolian Railways and onwards to St. Petersburg port or other ports in Europe by Russian Railways; and (c) to Zamyn Uud by Mongolian Railway, transshipment to China Railways (owing to change of gauge from 1520 mm to 1435 mm), then to Tianjin (Xingang) port by China Railways, using the route Erlian (Erenhot) - Jining - Datong - Beijing. The distance involved is 700 kms on Mongolia Railway and 993 kms on China Railways, for a total of 1,693 kms.

2. Foreign trade structure

40. Mongolia is heavily dependent on commodity exports. Mineral exports in 1998 accounted for half of the country's total export earnings. This makes it vulnerable

to shifts in world commodity prices. Indeed in 1998 the value of copper exports dropped by 42.8 per cent, from US$ 211.4 million to US$ 119 million, even though the volume of copper exported had increased by 7 per cent over the previous year. Mongolia's external trade position in 1998 was also weakened by the low price of cashmere, another major export commodity, which fell by 27 per cent. Mongolia has a structural trade gap which is accentuated in years of adverse weather conditions and deterioration of terms of trade. This trade balance tends to inflate transport costs because some wagons carrying imports to the border go back without return loads.

3. Magnitude and structure of transit costs

Table 2: Typical transport costs for a container (TEU) to or from Ulaanbaatar

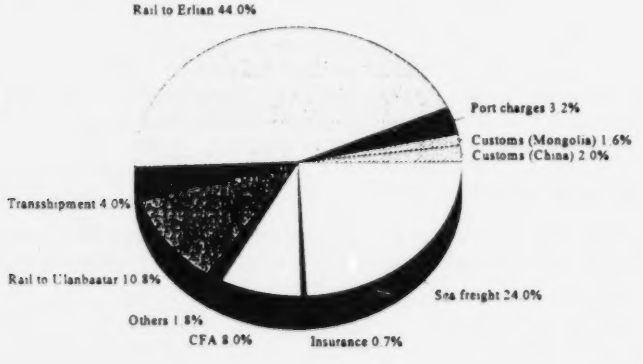
ROUTE			RATE US$ per box	TIME in days
To Japan	via	Tianjin	1900	21 to 28
To Japan	via	Russia	1760	25 to 30
To Italy	via	Tianjin: sea	3200	45 to 55
To Italy	via	Russia: land	3250	30 to 35
To UK	via	Tianjin: sea	3050	45 to 55
To UK	via	Russia: land	2900	35 to 40
From Japan	via	Tianjin	2400	21 to 28
From Japan	via	Russia	2300	25 to 30
From Warsaw	via	Russia	3200	30 to 35
From NW Europe	via	Tianjin: sea	3400	45 to 55

Source: UNCTAD

41. Mongolian external trade has access to routes through the Russian Federation or China. Transit transport costs to Japan or Europe through Russia are lower than those charged in China, as indicated in Table 2 above. Despite this cost advantage, volume of the Mongolia's transit trade through China has increased. This is explained by the fact that transit route choices are not determined by the level of direct transport costs alone; other factors may be considered more important. In this case, the determining factor is customs formalities. Clearing and forwarding agents (CFA) in Mongolia advise their clients to use the port of Tianjin because customs formalities there are more streamlined.

Figure 1. Structure of transport costs

Yokohama - Tianjin - Ulaanbaatar (rail), 1999



42. A breakdown of the various elements that make up the cost of moving a twenty-foot container (TEU) to or from Ulaanbaatar through the port of Tianjin shows clearly where the main costs lie. Figure 1 above shows the high elements of land transit transport costs (58.8 per cent) compared to ocean freight charges (24 per cent). It can also be seen from Figure 1 that the major elements in surface transport are rail freight charge within China, which account for about 44 per cent of the total transport costs. The high cost presumably reflects the imbalance in export and import volumes between Tianjin and Zamyn Uud. Another factor would be the absence of rail/road competition.

4. Impact of procedures and documentation on transit costs

43. The exchange of goods requires not only physical transportation of goods but also flows of information which are largely encoded in documents and flows of money in payment for the fulfilment of contracts. Cumbersome procedures and documentation can therefore increase transit costs, because when documents accompanying goods are held up, so are the goods themselves.

44. A major advantage of moving goods by rail is the accompanying procedures and formalities, which are kept to a minimum. This is even more true when rail transit, as the route to Tianjin, involves a single border crossing. However, while rail transit procedures have been simplified, import and export procedures as a whole are still cumbersome. At the moment, shippers are required to complete numerous trade and administrative documents (customs, banks, railway, ports, etc.). Governments may wish to identify areas which lend themselves to further harmonization, standardization and simplification. Electronic data interchange for administration, commerce and transport (EDIFACT) may present one good opportunity for concrete action because Mongolia has installed ASYCUDA and China has taken steps to develop EDIFACT transmission of documents for port and customs purposes.

5. Measures designed to reduce transit costs

45. Recent investments to upgrade the transshipment facilities at the border between China and Mongolia have removed a major bottleneck from the Ulaanbaatar-Tianjin route. But slow off-take to and from Zamyn Uud through Tianjin during peak harvest period in China is still a major concern to Mongolia. Efforts should be made to overcome this bottleneck. One other initiative to reduce transit costs may be the installation of an efficient information processing and transfer system. This would improve the efficiency of transport operations to the benefit of operators and traders along the route. Reforms to overcome non-physical barriers should cover a wide range of areas: procedural, documentary, regulatory, institutional and managerial systems. A detailed study of non-physical barriers along the Ulaanbaatar-Tianjin route would help to identify areas for future action.

B. Southern Africa

1. Transit transport systems

46. The Southern African region comprises six landlocked developing countries: Botswana, Lesotho, Malawi, Swaziland, Zambia and Zimbabwe. The six are linked to the SADC[3] maritime ports system, comprising 15 ports which are linked by rail and road network. This study uses data and information from the four most important corridors in the SADC region in volume terms, namely: (a) Durban - Johannesburg - Harare - Blantyre; (b) Durban - Johannesburg - Harare - Ndola; (c) Beira - Harare - Ndola routes; and (d) Beira - Blantyre.

2. Foreign trade structure

47. Agricultural commodity exports and minerals are the mainstay of the economies of the six landlocked developing countries in southern Africa. Malawi and Swaziland depend mainly on agriculture, while Botswana, Zambia and Zimbabwe are important

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[3] SADC members: Angola, Botswana, Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe.

exporters of such minerals as gold, diamonds, copper, cobalt and ferro-alloys. Because of their commodity-based economic structures, their external trade performance depends on weather conditions and favourable international commodity prices. With the exception of Botswana, these countries, normally have a large gap or deficit in their trade balance. This trade balance tends to inflate transport costs because some vehicles carrying imports go back without return loads.

3. Magnitude and structure of transit costs

48. Railways have played a key role in transport and communication in southern Africa over the past century. The railway network is still the most extensive on the continent. But today, even for long-distance hauls - for example, between Durban and Ndola (3119 km) - railway freight charges are higher than road freight charges. For a TEU container, it costs US$ 3,714, while road freight cost US$ 2,673(Figures 2 and 3). The reason why road transport in southern Africa is more competitive is because it is well-organized and offers efficient services. For example, road transport can deliver goods from Durban to Ndola within a week, but it takes three weeks for railways to deliver cargo because of poor coordination of international railway services. Rail road competition has helped to raise the level of transport services in general, and as such should be encouraged. But for the competition to be fair, it should take place on a level playing field. This requires, on the one hand, that road transport pays road charges commensurate with the full cost of road construction and maintenance, and on the other, that transport operators are relieved the from cumbersome procedures and numerous costs imposed on them in the countries of transit.

Figure 2: Structure of transport costs

Rotterdam - Durban - Ndola (rail), 1999

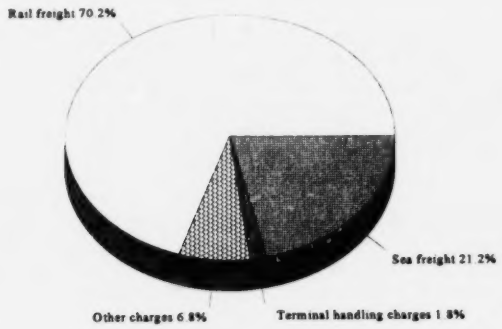
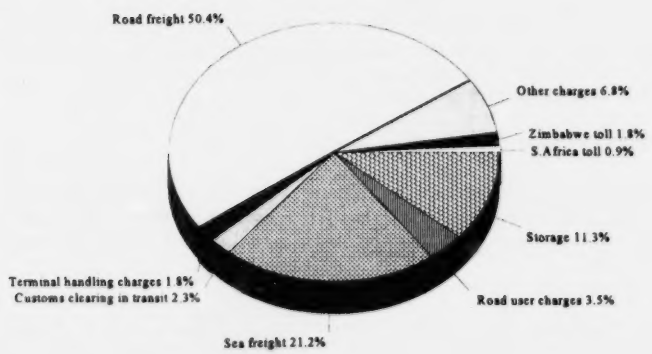


Figure 3: Structure of transport costs

Rotterdam - Durban - Ndola (road), 1999



4. The impact of procedures and documentation on transit costs

49. The six landlocked developing countries and their transit neighbours in southern Africa, acting under the auspices of COMESA[4] and SADC, have made significant progress in transit facilitation. This includes: the operation of harmonized axle load limits; adoption of COMESA carrier licencing; and the application of a regional third-party motor insurance scheme. Planned activities which will further strengthen cooperation include: the implementation of the COMESA/SADC - single administrative document, and; the Regional Customs Guarantee Scheme (RCGS). These two instruments are necessary for the establishment of a customs transit system in southern Africa. The new system will be supported by EDIFACT which was either previously installed or is in the process of being installed in southern Africa, as well as by the establishment of the one-stop border spot. These measures would speed-up transit procedures and reduce delays. Border crossing delays are at the moment considered to be excessive. It has been reported that the economic cost to the SADC region in terms of reduced truck productivity in 1996 was about US$ 50 million.[5]

5. Measures designed to reduce transit costs

50. The Inter-Connected Regional Railway Network (IRRN) in SADC countries has a total of 33,953 km of track, while the road network covers approximately 880,000 km. However, while the condition of the infrastructure is generally acceptable, there is a back- log of maintenance to be done, estimated to cost US$ 300 million for railways (excluding in Angola and the Democratic Republic of Congo) and US$ 746 million for the road network. While maintenance and rehabilitation of the infrastructure remains a major concern, attending to the non-physical barriers is most pressing. The regional instruments which have been adopted, such as inter-railway agreements, multiple entry and transit visa, the COMESA Yellow Card scheme, COMESA carrier licence and transit plates, need to be more effectively implemented. Implementation of the COMESA/SADC single administrative document, RCGS and the one-stop border post principle in 1999/2000 should be at the top of SADC's transit transport agenda. The SADC and COMESA secretariat would need financial and technical support from the donor community to enable them to strengthen outreach services and support to their member States.

C. Eastern Africa

1. Transit transport systems

51. Eastern Africa[6] has three landlocked countries: Burundi, Rwanda and Uganda. They have access to two main corridors in East Africa, the so-called central corridor which cuts across the middle of the United Republic of Tanzania and terminates at the port of Dar-es-Salaam, and the northern corridor, which opens out at the port of Mombasa and serves the East African hinterland by rail and road. Although the Democratic Republic of Congo has a sea port on the Atlantic coast, it is regarded as a landlocked country because in reality the bulk of its external trade passes through the ports of eastern or southern Africa.

2. Foreign trade structure

52. The three landlocked countries of eastern Africa depend largely on agricultural commodity exports, and accordingly, their external trade performance is predicated upon favourable weather conditions and international commodity prices. The countries suffer from a persistent deficit in their trade balance. In the case of

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[4] COMESA members: Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Eritrea, Mozambique, Namibia, Rwanda, Seychelles, Somalia, Swaziland, Sudan, Uganda, United Republic of Tanzania, Zambia and Zimbabwe.

[5] SADC Border Post Design, Operation and Transit Facilitation, 1998.

[6] Eastern Africa comprises Burundi, Democratic Republic of Congo, Kenya, Rwanda, Uganda and United Republic of Tanzania.

Uganda, the deficit has increased in recent years, but this is because the country has succeeded in attracting donor assistance to fund its large import bill. A trade deficit normally increases transport costs because vehicles carrying imports return empty.

3. Magnitude and structure of transit costs

53. The event with the greatest impact on transport in East Africa in the past two years has been the heavy rains and floods caused by the climatic phenomenon known as *El Niño*. El Niño, which struck in 1997/1998 resulted in 2,000 deaths and hundreds of thousands of displaced persons, inflicting serious damage on the countries housing and infrastructure. Extensive portions of roads, bridges and culverts were either washed away or eroded, thus rendering several roads and rail lines impassable. The disruption of rail and road systems in Kenya and United Republic of Tanzania seriously affected transit transport, hiking transit costs (see comparison in Figures 4 and 5) and increasing the informal costs associated with long delays, loss or damage to goods in transit due to accidents, pilferage and accelerated vehicle depreciation due to poor road conditions. The cost increase also reflects the security situation in Rwanda. The cost of moving a container from Mombasa to Kigali (Rwanda) which was approximately US$ 2,500 in 1995, rose to US$ 6,000 in 1998. It has now stabilized at around US$ 4,400.

Figure 4: Structure of transport costs

Rotterdam-Mombasa-Kigali (Road), 1995

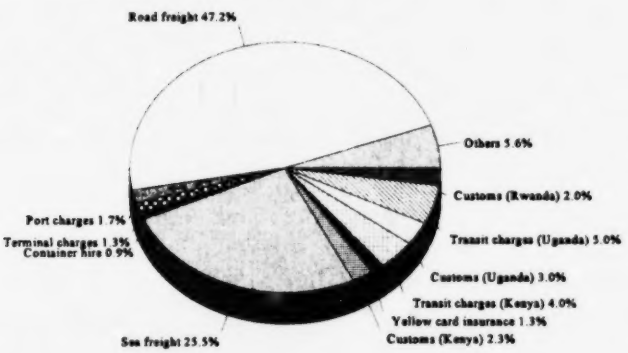
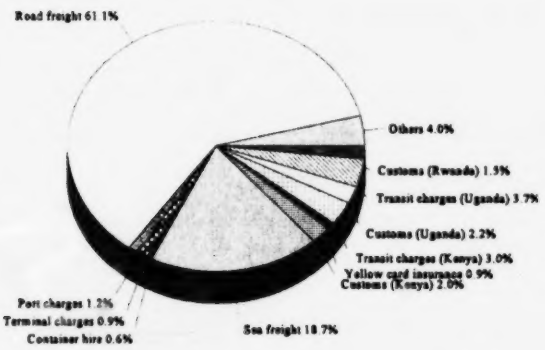


Figure 5: Structure of transport costs

Rotterdam-Mombasa-Kigali (Road), 1999



4. Impact of procedures and documentation on transit costs

54. Although the extensive damage to the infrastructure has turned Governments' attention away from issues related to non-physical barriers, it is important that, once emergency repair and rehabilitation work has been completed, government attention should revert to the ongoing reform agenda for transit procedures and documentation.

55. Eastern African countries have made substantial progress in transit facilitation. Acting under the auspices of COMESA and the Northern Corridor Transit Transport Authority, they have adopted a number of regional transit and transport instruments. These include the application of harmonized road transit charges, the implementation of which has removed discriminatory practices and facilitated forward planning by transport operators; implementation of the regional third-party motor insurance scheme (COMESA Yellow Card Scheme), which has reduced the cost of transit insurance and the delays associated with multi-country insurance coverage.

56. Building on the good experience behind them, the eastern African countries can take more bold initiatives. In the next two years, their real challenge will be to establish a regional customs transit system. This would involve the ratifications and implementation of the COMESA/SADC administrative document and of the RCGS. The use of a common customs control document which can be completed at the start of the transit movement and is accepted by customs administrations in all countries and by guarantee enforceable in all countries will the reduce costs and delays associated with national customs clearances currently in force.

5. Measures designed to reduce transit costs

57. In the wake of El Niño rains of 1997, the transport infrastructure in eastern Africa has been undergoing emergency repair and rehabilitation. El Niño exposed the fragility of an infrastructure which was all along known to be inadequate. The emergency programme for redressing the road network in United Republic of Tanzania alone is estimated to cost more than US$ 96 million. The donor community has responded with commitments in the amount of US$ 50.5 million. Commitments were made *inter alia* by the World Bank, through the International Development Association; the European Union; the Danish International Development Association; the Norwegian Agency for Development Cooperation; and the United States Agency for International Development. However, the bridging of a US$ 45.5 million financing gap still requires donor support. Apart from the emergency programmes, eastern Africa, needs to upgrade its infrastructure. A recent donor conference convened to solicit support for the improvement of the regional network noted that an investment of approximately US$ 4.6 billion was required.

58. The improvement of the transport infrastructure in East Africa should go hand in hand with efforts to improve transit procedures and documentation, as discussed in paragraph 56 above.

D. West Africa

1. Transit transport systems

59. West Africa[7] has three landlocked countries: Burkina Faso, Mali and Niger. Burkina Faso and Mali are linked to the sea by rail and road and also have access to alternative transit routes by road. Niger is not linked to the sea by rail but has several alternative road transport route options, via Togo, Benin, Côte d'Ivoire, Niger and Ghana.

2. Foreign trade structure

60. The three landlocked countries of West Africa depend largely on agricultural commodity exports and some minerals, gold, karité and uranium. As in East Africa,

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[7] Economic Community of West African States (ECOWAS), members: Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, and Togo.

their external trade performance is thus predicated upon good weather conditions and favourable international commodity prices. Being in the Sahel Belt, they are subject to frequent and severe droughts and must import large quantities of food. The trade balance traditionally shows a large deficit which rises in years of poor harvest. This trade balance tends to inflate transport costs because many vehicles carrying imports go back without return loads.

3. Magnitude and structure of transit costs

61. Although Burkina Faso, Mali and Niger have a variety of transit trade route options, they have largely maintained their traditional routes through their Francophone coastal neighbours. This is in part due to the common currency, language and administrative systems. However, these advantages notwithstanding, transit of goods across borders in West Africa is subject to cumbersome administrative controls which add to the cost of transport. The advantages offered by one route are often off set by disadvantages. For example, while sea freight to and from the port of Abidjan cost about 10 per cent lower than via Lomé, the freight rate advantage is eroded by cumbersome customs procedures and lower road transport costs (see figures 6 and 7). Rail transit is inefficient, but so is road transport. Road operators from Mali, Burkina Faso and Niger operate in the informal sector using small vehicles of up to 10 tonnes. To stay in business, they frequently overload their vehicles, but revenues are still not high enough to enable them to invest in the new vehicles without which they cannot offer cost-effective transport services. For example, it is estimated that the transportation of a load of 500 metric tons of rice from Accra-Tema to Ouagadougou is 12 million CFA francs (US$ 20,000) if Ghanian trucks are used, and 16.5 million CFA francs (US$ 27,500), or 37.5 per cent more, if Burkinabe trucks are used.

Figure 6: Structure of transport costs

Rotterdam-Abidjan-Ougadougou (road),1999

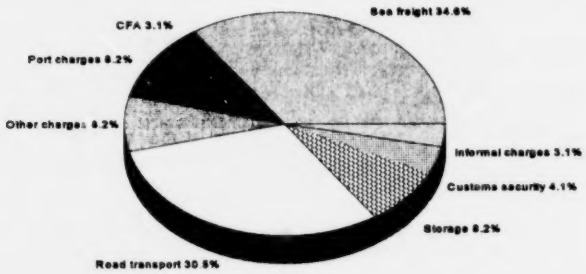
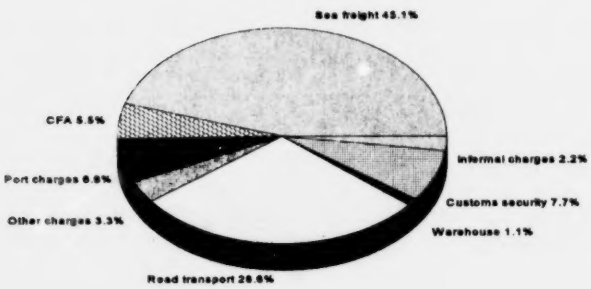


Figure 7: Structure of transport costs

Rotterdam-Lomé-Ougadougou (road), 1999



4. Impact of procedures and documentation on transit costs

62. The freight market in West Africa is regulated. Bilateral agreements normally reserve two thirds of the freight for carriage by vehicles from landlocked countries. The application of these agreements results in delays. For example, goods at the maritime ports may have to wait several days for vehicles from landlocked countries even though there are vehicles in coastal countries ready to pick them up. These restrictions have a negative impact on transport costs, to the disadvantage of the consumers in landlocked countries. Customs escorts also add to the cost of transport. Transit operators have to pay for customs escort, which operates only three times a week, resulting in additional delays. Vehicles wait for two or more days for convoys to be formed. Convoys moving under customs supervision are still subject to inspection en route by other public control agents (police, army, veterinary officers, etc.). Delays and informal payments increase the transport costs even further.

5. Measures designed to reduce transit costs

63. Modernization of the road transport services, is at the heart of action designed to reduce transit costs in West Africa. Action must be taken to raise the professional level of transport operators. This could be achieved through the liberalization of the road transport market.

III. PROPOSALS FOR FUTURE ACTION

64. The very high cost of international trade represents a serious constraint to the trade and economic development of landlocked developing countries. Measures to deal with the transit problems of such countries have to address a broad range of factors, such as inadequate infrastructure, imbalance of trade, inefficient transport organization, poor utilization of assets and weak managerial, procedural, regulatory and institutional systems.

65. Because landlocked developing countries depend on their transit neighbours for access to and from the sea, efficient transit systems require closer and even more effective cooperation and collaboration between these countries and their transit neighbours. In this context, regional economic groupings[8] and transit agreements,[9] as well as bilateral agreements, play a critical role in promoting transit transport cooperation.

66. As most transit countries are themselves developing countries facing serious economic problems, including the lack of adequate infrastructure in the transport sector, international support measures have played a critical role in improving transit systems.

67. Transit transport policy reforms which have had a positive impact on transit costs should be encouraged. Reforms that have played an important role in recent years in enhancing the efficiency of transit operations and reducing transport costs include the commercialization of railways, liberalization of transport services and efforts to improve institutional, procedural, regulatory and managerial systems. The international donor community has supported many of these initiatives and is invited to continue to do so.

68. Liberalization of transport services in the countries and regions where this has taken place has stimulated modal competition, improved services to shippers and stabilized or reduced transport costs. In countries and regions where the transport market is still closed, consideration should be given to promoting a phase-out programme leading to free and fair competition. However, liberalization of

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[8] Regional economic groupings include the Association of South-East Asian Nations (ASEAN); Southern Cone Common Market (MERCOSUR);COMESA; SADC; ECOWAS; and the Economic Cooperation Organization (ECO).

[9] Northern Corridor Transit Agreement (NCTA); ECO Transit Transport Framework Agreement; and ASEAN Framework Arrangement on Facilitation of Goods and Service .

transport services should be kept under review in order to counteract bad practices, such as overloading of vehicles by some road transport operators in a desperate attempt to save themselves from being driven out of the market by more efficient operators.

69. Rail/road competition should be encouraged. However, Governments should establish a level playing field for competition according to which road transport operators pay appropriate road charges reflecting the economic cost of road construction and maintenance. Road transport operations, in turn, should be kept free of unnecessary administrative interference.

70. The establishment of regional customs transit systems is urgent. The use of a common customs document which can be completed at the start of a transit movement and is accepted by customs administrations in all countries of the regions and a guarantee enforceable in all countries against payment of import duties and taxes on goods and the vehicle will significantly reduce the costs and delays of transit operations. Customs and cargo monitoring systems using electronic methods such as ASYCUDA and ACIS should be encouraged. Countries which have not installed EDIFACT should consider doing so.

71. The donor community, including financial and development institutions, should continue their support of programmes designed to improve physical infrastructure and remove non-physical barriers. Financial and technical assistance to countries which wish to implement customs transit systems and to install or upgrade EDIFACT should be given high priority.

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TRADE AND DEVELOPMENT BOARD
Meeting of Governmental Experts from
Landlocked and Transit Developing Countries and
Representatives of Donor Countries and Financial
and Development Institutions
New York, 24-26 August 1999

POLICIES AND ACTIONS TAKEN BY INDIVIDUAL COUNTRIES, AND BY INTERNATIONAL ORGANIZATIONS TO IMPROVE TRANSIT TRANSPORT SYSTEMS

Note by the UNCTAD secretariat

The lack of territorial access to the sea, aggravated by remoteness and isolation from world markets and by the prohibitive transport costs associated with conditions of inadequate infrastructure, imbalance of trade, inefficient transport operations, poor utilization of assets and weak managerial, procedural, regulatory and institutional systems, poses serious constraints on the trade and economic development of land-locked developing countries. The General Assembly in its resolution 52/183 appealed to all States, international organizations and financial and development institutions to implement, as a matter of urgency and priority, the specific actions related to the particular needs and problems of landlocked developing countries. The Secretary-General of UNCTAD addressed a letter to landlocked and transit developing countries, donor countries and the relevant international organizations requesting them to provide information on the policies and actions that they are taking or envisage taking with a view to improve transit transport systems. 30 replies received from 4 donor countries, 8 landlocked developing countries and 3 transit developing countries and 15 international organization are summarized in the note.

GE.99-52271

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Introduction

1. The General Assembly, in paragraph 11 of its resolution 52/183, requested the Secretary-General of the United Nations to convene, in 1999, a meeting of governmental experts from landlocked and transit developing countries and representatives of donor countries and financial and development institutions, including relevant regional and subregional economic organizations and commissions, to review progress in the development of transit systems, including sectoral aspects, as well as transit transportation costs, with a view to exploring the possibility of formulating necessary action-oriented measures.

2. In paragraph 4 of the above mentioned resolution, the General Assembly called upon both the landlocked developing countries and their transit neighbours to implement measures to strengthen further their cooperative and collaborative efforts in dealing with transit issues, inter alia, by improving their transit transport infrastructure facilities and bilateral and subregional agreements to govern transit transport operations, developing joint ventures in the area of transit transport, and strengthening institutions and human resources dealing with transit transport.

3. Furthermore, in paragraph 5 of the same resolution, the General Assembly appealed to all States, international organizations and financial institutions to implement, as a matter of urgency and priority, the specific actions related to the particular needs and problems of landlocked developing countries agreed in the resolutions and declarations adopted by the General Assembly and the outcomes of recent major United Nations conferences relevant to landlocked developing countries, as well as in the Global Framework for Transit Transport Cooperation between Landlocked and Transit Developing Countries and the Donor Community.

4. In paragraph 13, the General Assembly urged the United Nations Conference on Trade and Development (UNCTAD), inter alia, to keep under constant review the evolution of transit transport infrastructure facilities, institutions and services, to monitor the implementation of agreed measures, including by means of a case study as necessary, to collaborate in all relevant initiatives, including those of the private sector and non-governmental organizations, and to serve as a focal point for cross-regional issues of landlocked developing countries.

5. As part of the implementation of the above provisions of the resolution, the Secretary-General of UNCTAD addressed a letter to landlocked and transit developing countries, donor countries and the relevant international organizations involved in transit traffic and trade, requesting them to provide information on the policies and actions that they are taking or that they envisage taking with a view to improving transit transport systems. The 30 replies received from four donor countries, eight landlocked developing countries, three transit developing countries and 15 international organizations are summarized below.

I. Summaries of replies received from governments

A. Donor countries

Austria

6. Austria acknowledges that landlocked developing countries, in particular those in Africa, face acute transit transport problems which greatly hamper their external trade performance, and has been active in providing both financial and technical assistance to these countries. In 1998, Austria, in its capacity as holder of the Presidency of the European Union, participated in the Southern African Development Community (SADC) - European Union transport meeting, which adopted specific measures to implement effectively the SADC Protocol on Transport, Communication and Meteorology. Since 1991 Austria has provided ATS 490 million schillings (about US$ 48.5 million) to Zambia-Tanzania Railways (TAZARA), whose performance is vital to the success of Zambia's external trade. Assistance in support of regional cooperation and integration includes the upgrading of the Transkalahari highway linking Botswana and Namibia, the Zimbabwe-Malawi corridor through Mozambique and the northern corridor which links Uganda to the sea port of Mombasa in Kenya.

Italy

7. Italy recognizes the importance of developing efficient transport systems to improve external trade performance and revenue generation. It is currently co-financing, with the World Bank and the Government of Eritrea, a project to rehabilitate Eritrea's two major ports, Massaua and Assab, at an estimated cost of US$ 57.6 million. Italy's contribution to this project will be US$ 21 million, the World Bank's contribution will be US$ 30.3 million and Eritrea will finance the remainder. In 1997, at the start of the project, US$ 4.1 million was disbursed, and it was estimated that US$ 16.9 would have been allocated to this project by the end of 1998.

Japan

8. Japan recognizes the importance of adequately addressing the particular needs and problems of landlocked developing countries, and has continued to provide financial and technical assistance to landlocked and transit developing countries to improve their transport systems. Japan has provided official development assistance (ODA) in the form of grant aid to develop efficient transport systems in the following landlocked and transit developing countries: the Central African Republic, for road construction; Zambia and Zimbabwe, for the construction of a bridge between the two countries; in Malawi, for the construction of a bridge; in Mozambique, for dredging equipment to improve Beira port which handles transit transport for Malawi and Zimbabwe; in Nepal, for road construction; and the Lao People's Democratic Republic, for the renovation of the international airport and reconstruction of a number of bridges.

9. The Government of Japan has also provided loans to finance transport projects in the following landlocked and transit developing countries: Kyrgyzstan, for the modernization of

improve transport and communication systems. However, their implementation is far from satisfactory as various protectionist measures imposed by Governments, as well as overlapping customs and transit documents are still in use. Policies, adopted by neighbouring transit countries have eroded the competitiveness of small transport operators in Bolivia. Therefore, there is an urgent need to harmonize and unify transit transport documents, and to introduce flexible working hours for customs and cross-border authorities.

13. The secretariat of the Latin American Integration Association (ALADI) has recently conducted a study on the transit transport situation in Bolivia. This study has formulated proposals for actions to facilitate cross border transport between Bolivia and Peru, and between Bolivia and Argentina.

Ethiopia

14. Ethiopia is committed to implementing mutually agreed programmes with neighbouring countries to improve transit services. The implementation of a 10-year road sector development programme started in 1997. This programme, inter alia, gives priority to the improvement and maintenance of various corridors providing links with ports in neighbouring countries. As regards roads, the Dobi-Galafi road (30 km) was upgraded from gravel to asphalt; the Diredawa-Dewolle road (200 km) will be reconstructed (the Government of Ethiopia is engaged in obtaining financial resources for its reconstruction); the Addis Ababa-Moyale road is under reconstruction with funds provided by the European Union, amounting to 310 million Ethiopian birr (about US$ 44 million); and the construction of the Addis Ababa-Harare road (1,001 km) is scheduled to start soon, with finance from the World Bank and the Government of Ethiopia.

Kazakhstan

15. The economic development of Kazakhstan is constrained partly by the high transport costs associated with the movement of transit cargo. The Government of Kazakhstan continues to give high priority to the development of its transit transport infrastructure. The Druzhba-Alashankou railway, part of the transcontinental railway connecting the ports of Lianyungang, China and Rotterdam, the Netherlands, has been opened. The Aktogai-Druzhba corridor is being rehabilitated. Preparatory work for the container transportation through the northern corridor of the trans-Asian railway (China-Druzhba-Presnogorkovskaya-Brest) has started within the framework of the Asian land transport infrastructure development. Electrification of the Otar-Almaty line of the trans-Asian railway's central corridor is being completed, and is expected to speed up traffic flows in the future.

16. Construction of the Bekdash-Yeralievo railway corridor, which will connect South Asia and Europe, is expected to start soon. A feasibility study on the construction of the Almaty-Bishkek road, which will be an important improvement to the trans-Asian road network in Eurasia, has been completed. The Government of Kazakhstan is conducting negotiations with the Asian Development Bank to finance construction of the road. The Transit Transport Framework Agreement under the Economic Cooperation Organization (ECO) was signed in 1998, and is

widely viewed by the international community as a significant achievement on the way to fuller facilitate trade and economic cooperation among ECO member countries.

The Lao People's Democratic Republic

17. An agreement on road transport was signed between the Government of the Lao People's Democratic Republic and the Government of Thailand on 5 March 1999. The Agreement contains, *inter alia*, a provision that allows exporters and importers of the Lao People's Democratic Republic to select transport operators based in one of the contracting parties or in a third party. The early implementation of this agreement will provide greater commercialization and liberalization of transport operations and services and encourage competition among transport service providers.

Mongolia

18. Transit transport operations in Mongolia are governed by bilateral and multilateral agreements. Mongolia has signed bilateral transit agreements with China and the Russian Federation. Mongolia has acceded to the Convention on Transit Trade of Land-locked States, the Warsaw Convention for the Unification of Certain Rules Relating to International Carriage by Air, the United Nations Convention on the Law of the Sea, and the Convention on Road Signs and Signals of 1968. A Protocol on specific rules necessary for the implementation of the Intergovernmental Agreement on Auto Transportation was signed between Mongolia and the Russian Federation. The protocol introduces the use of permission certificates, which enables the transportation of passengers by road on the territories of both parties without taxes or fees.

19. The Mongolian railway system plays a key role in the movement of transit cargo. Cargo to and from the Russian Federation and Europe is transported via a broad-gauge line with no interruption along the routes. However, cargo to and from China and other Asian countries needs trans shipment as there are two different rail gauges in China and Mongolia. Some improvements have already been made as a result of the construction of new trans shipment facilities at Zamyn Uud, Mongolia. With technical assistance and loans provided by Japan and the World Bank, concrete measures have been undertaken to improve the national railway system. Under these loans, 450 new carriages were put into service in 1998 and new facilities have recently been constructed for the trans shipment of oil and oil products in Sukhbaatar (at the northern border).

20. The Mongolian master plan for road provides for the construction and reconstruction of a total of 700 km of paved roads, and 3,000 m of bridges. Since 1996, 173 km of roads and 1,208 m of bridges have been built. Under the Economic and Social Commission for Asia and the Pacific (ESCAP) project on the Asian highway network, first priority is given to the A-3 road. Rehabilitation work on the northern section of A-3 road was started in 1997 and should be completed by the end of 1999. Reconstruction of the southern section of the Ulaanbaatar-Zamyn Uud road would make a significant contribution to the development of transit transport through China. A feasibility study on the road was prepared in 1998 and the Asian Development Bank currently considering whether to approve a loan for the reconstruction. Second priority is given

currently considering whether to approve a loan for the reconstruction. Second priority is given to the A-83 road connecting Darkhan-Erdenet-Muren-Ulaangom-Borshoo in the northwest of the country. Reconstruction of the 184 km long Darkhan-Erdenet road section started in May 1998.

Nepal

21. Nepal cooperates with India in the framework of bilateral and international agreements and arrangements. Transit transport operations in Nepal are mainly governed by the Indo-Nepal Treaty of Transit. This treaty includes, a provision whereby it is automatically extended for seven years unless one of the contracting parties gives written notification of its intention to terminate it. Nepal and India have cooperated in developing a multimodal transport system for goods moving to and from Nepal through the territory of India.

Paraguay

22. Paraguay pursues a policy of full involvement in regional integration processes, and has joined both the Southern Common Market (MERCOSUR) and the Central South American Integration Zone (ZIRCOSUR). ZIRCOSUR comprises parts of the territory of Argentina and Chile as well as the whole territory of Paraguay. It covers an area of 3.6 million km^2 and a population of 29 million. Several donors have indicated they strongly support the development of the transit transport systems in the region. Paraguay recognizes the importance of active participation in regional cooperation schemes in developing transit transport systems. Its central location in Latin America provides a unique opportunity to develop important transit corridors, linking the Atlantic and Pacific coasts through the central heartland of the continent. Paraguay has prepared studies on a number of possible corridors, including corridors between La Patria and Garay, La Patria and Infante Rivarola, Estigarribia and Pozo Honda on the Pacific coast, and between Asuncion and Ciudad del Este, and Pozo Colorado and Pedro Juan Caballero on the Atlantic coast.

23. Inland waterways play an important role in the transit transport in Paraguay. There are two principal waterways, the Paraguay and Parana rivers. An inland waterway transport agreement between Argentina, Bolivia, Brazil, Paraguay and Uruguay, which came into force in 1995, governs inland waterway transport in the region. The agreement has important protocols on customs, navigation, security, the environment, competition and dispute settlement. Paraguay faces severe financial constraints in its efforts to develop its ports and infrastructure. It is, however, necessary to upgrade the existing and establish new inland ports. Storage facilities also need to be expanded.

24. Road transport carries a substantial portion of the domestic and international passenger and cargo transport of Paraguay, and the Government gives high priority to the development of the country's road transport network. Paraguay has reached agreement with the Inter-American Development Bank on a loan of US$ 82, 3 million. Under this loan, the following projects have been, or are being funded: a project to reconstruct route 8 (Caazara - Coronel Bogado) and a project on route 10 (Puerto Rocario - San Estanislao) (currently being implemented); a project on route 3 (San Estanislao - Salto del Guaira) (completed); and a project to rehabilitate route 9.

The roads between Estancia La Patria and Infante Rivarola (112 km), Neuland and Pozo Honda (313 km) and Pozo Colorado and Diaz (216 km) will also be reconstructed under the above funding arrangement.

25. The main railway line is Ferrocarril Central del Paraguay, President Carlos Antonio Lopez railway, which connects Asuncion city with Encarnacion. It is linked with the rail networks of Argentina, Brazil and Uruguay through the international bridge Encarnacion Posadas. For some time, the Government of Paraguay has made known its intention to privatize its railways. But it seems that the high investment necessary to modernize its century old railways is little interest to the private sector.

Zimbabwe

26. Zimbabwe continues to actively participate in the work undertaken within the Southern African Transport and Communication Commission (SATCC) and Common Market for Eastern and Southern Africa (COMESA). In 1998, the Parliament of Zimbabwe ratified the SADC Protocol on Transport, Communication and Meteorology as well as bilateral road transit agreements with South Africa and Zambia. Zimbabwe also concluded bilateral transit agreements with Mozambique, Namibia, Malawi and the United Republic of Tanzania. National Railways of Zimbabwe participates in "Spoornet" (the South African wagon tracking system).

27. Transport infrastructure development and maintenance for the transit network is one of the priorities in the public investment programme of Zimbabwe. The construction of the Bulawayo-Beit Bridge Railway has started in 1998; when completed, it will shorten the distance between Bulawayo and Beit Bridge by 225 km. Reconstruction work on the Harare-Gweru road involves expanding the 264 km stretch of road into a four lane highway. Since the road serves transit traffic, transport operators from Zimbabwe and neighbouring countries will benefit through improved traffic flows. The Government of Zimbabwe has also purchased 20 weigh bridges, which have been installed at strategic points throughout the country including all border posts. The government recently introduced overload fees to cut down the number of overloading incident. As a result, the incidence of overloading fell from 42 per cent in 1993 to less than 3 per cent in January 1999. Reconstruction of the New Harare International Airport started in December 1997 and is expected to be completed in the first quarter of 2000. With the assistance of Danish International Development Association (DANIDA), Zimbabwe has implemented three lake safety and navigation projects at Lake Kariba.

28. The Government pursues a policy that encourages private-sector investment in the construction and maintenance of roads, bridges and railway lines as well as the commercialization and privatization of state owned enterprises in the transport sector. The Railway Act was amended to enable the National Railways of Zimbabwe to become three separate entities, responsible for infrastructure, equipment and operations, respectively. The infrastructure entity will be concessioned to the private sector, the equipment entity will own, lease and maintain railway equipment, and the operations entity will run passenger and freight trains. The Civil Aviation Act, adopted in 1998, established the Civil Aviation Authority of

Zimbabwe to run commercial airlines. It will generate revenue from landing, overflight and ground handling fees and from the leasing of office and retail space.

29. Zimbabwe recognizes the benefits of pooling resources with regional and international airlines. AFFETAIT, the national cargo airline, operates in partnership with South African Airways Cargo, DHL International and Air Malawi Cargo in an effort to ensure maximum utilization of equipment and enhance the viability of each operator. Also, Air Zimbabwe, the national passenger airline, has joint ventures with Air Botswana and Air Malawi for flights to the United Kingdom.

C. Transit developing countries

India

30. India has provided 15 transit routes for Nepalese transit trade with third countries. It has also agreed to provide additional facilities for Nepalese transit trade through Mumbai and Kandla ports in addition to the existing facilities at Calcutta. Nepalese traffic in transit is exempt from customs and transit duties or other charges, except reasonable charges for transportation. A detailed procedure (the Memorandum to the Protocol to the Treaty of Transit) has been drawn up for Nepalese imports and exports to or from third countries that pass through Indian territory, including appropriate measures to prevent diversion of goods while in transit. Warehouse facilities have been provided by the Port Trust of India in Calcutta for handling Nepalese goods in transit. Facilities are also available for the transport of Nepalese goods in transit by road, rail and air.

31. The Treaty of Transit between India and Nepal, which has been renewed in 1994 for a period of seven years, is automatically extended by seven years unless one of the contracting parties gives written notification of its intention to terminate it. The routes and other operational modalities are reviewed periodically by the Indo-Nepal Inter-Governmental Committee to incorporate any necessary and mutually agreeable amendments.

32. Special transit facilities are also provided for Bhutanese trade with third countries that passes through Indian territory. Twelve exit/entry points are available to Bhutan for its trade with third countries by air, road and river. A detailed procedure has been agreed for handling Bhutanese transit trade through India, taking the necessary precautions to prevent diversion of goods into India.

Thailand

33. Thailand, as a transit country, pursues an active policy to develop transit facilities for its neighbouring landlocked country, focusing on the development of a legal framework for transit transport operations. An agreement with the Government of the Lao People's Democratic Republic and the Government of Socialist Republic of Viet Nam on facilitating cross-border transport of goods and passengers was due to be concluded in April 1999. The main objective

of the agreement is to speed up traffic through simplified and harmonized procedures, legislation and regulations.

Turkey

34. Turkey attaches great importance to relations with all central Asian republics in the field of transit transport, and has been active in providing both financial and technical assistance to these countries. It strongly encourages subregional cooperation in developing an efficient transit transport system. With the active involvement of Turkey, the Transit Transport Framework Agreement of ECO countries was signed on 9 May 1998. Turkey has also concluded bilateral road transport agreements with Turkmenistan, Kazakhstan, Uzbekistan, Kyrgyzstan and Azerbaijan. Turkey believes that the railway industry has great potential for subregional cooperation. At the second meeting of ECO transport ministers in March 1998, a 10 year transport plan and the action plan were adopted. Both plans prioritize the accelerated development of the road and railway infrastructure in the region. ECO members have also decided to establish an international consortium to develop the regional transport infrastructure. The cooperation between ECO and ESCAP is aimed at developing an uninterrupted transport system between Asia and Europe through upgrading the quality of road and railway transport systems. Efforts are also being made to strengthen cooperation with other international organizations such as UNCTAD and Islamic Development Bank.

II. SUMMARIES OF REPLIES RECEIVED FROM INTERNATIONAL ORGANIZATION

Central African customs and economic union (UDEAC)

35. One of the main objectives of UDEAC is to put in place an integrated, coordinated, efficient and responsive transit system in the subregion which would meet the long-term needs for socioeconomic development of its member States. The regional reform programme of 1989 contains a number of specific measures aimed at developing transit corridors and simplifying customs procedures. The UDEAC protocol of understanding, which was adopted in 1991, comprises two parts, one on the facilitation of transit trade and one on infrastructure development. As regards facilitation, the main targets are to develop the customs regime, procedure and security guarantee, as these measures play an important role in reducing transport costs. As regards the infrastructure development, transit corridors have been identified for funding by the European Union. In this context, implementation of the project on the development of the Bertoua - Garoua Boulai corridor, which links Cameroon and central Africa, is expected to start in the first quarter of 2000. Also, a technical study on the Ngaodere-Touboro road, which links Chad with sea ports in Cameroon, has been completed. A feasibility study on the Yaounde-Eboro-Bitam between Cameroon and Gabon will soon be completed.

36. ECA is assisting member States in improving trade facilitation measures. In this context, the ECA technical cooperation package encourages member States, including landlocked developing countries, to create inter-institutional bodies whose main objective will be to promote trade

facilitation, to examine trade and transport issues and to formulate recommendations aimed at creating efficient transport systems and transparency in trade and transport services. These national trade and transport facilitation forums consist of government representatives (ministries of transport and communications, trade, finance and customs), major service providers (carriers, freight forwarders, multimodal transport operators and financial institutions), and traders who benefit from the reduction in transaction costs in their commercial operations.

37. As regards the application of information technology in the field of transport, ECA, in collaboration with UNCTAD, has especially supported the introduction and use of Automated System for Customs Data (ASYCUDA) and the Advance Cargo Information System (ACIS).

Economic Commission for Asia and the Pacific(ESCAP)

38. The efforts of the ESCAP secretariat to assist landlocked and transit developing countries of the region mainly focus on land transport, transit agreements, human resource development and trade promotion. In order to enhance the trade of its member States, the ESCAP secretariat promotes regional and subregional cooperation in the development of the land transport infrastructure in Asia, including in landlocked developing countries. In this regard, the proposed project on the Asian Land Transport Infrastructure Development is expected to make a major contribution to the development of transport infrastructure in the region. Within the overall context the project, comprising the Asian highway and trans-Asian railway networks and land transport facilitation measures, special attention has been given to the involvement of the landlocked countries in the region so as to improve road and rail access to and from their countries. The land-locked countries in the ESCAP region are now participating in the project and are included in the above two networks.

39. ESCAP has also been actively encouraging the member States to accede to the international land transport facilitation conventions, pursuant to ESCAP resolution 48/11 of 23 April 1992. Accession to the two transit conventions, namely, the Convention and Statute on Freedom of Transit (Barcelona, 1921 and the Convention on Transit Trade of Land-locked States (New York, 1965) is also being actively promoted. Subregional seminars have been held to explain the content and benefits of acceding to the conventions mentioned in ESCAP resolution 48/11 for the countries of the ECO and South Asian Association for Regional Cooperation, the countries of the Greater Mekong and north-east Asia subregions. A follow-up workshop at the national level was held in the Lao People's Democratic Republic in September 1998. Similar national workshops are planned for several other landlocked countries, subject to the availability of funding. These endeavours have precipitated the accession to the international conventions by many landlocked developing countries securing to enhance their international trade and tourism. They have also set in motion the process of consultation and negotiation between landlocked developing countries and their neighbours, both on a bilateral and a multilateral basis, to find ways of cooperating in the improvement of transport infrastructure and transport efficiency.

Economic Commission for Africa (ECA)

40. Given that 16 of of 29 landlocked developing countries are in Africa, ECA has undertaken a wide range of programmes and activities at the sub-regional and regional level to address existing bottlenecks in transit traffic. Under the second United Nations Transport and Communications Decade in Africa, ECA is required to coordinate and facilitate the consolidation and establishment of a network of transport corridors. ECA continues to promote the development of additional transit corridors and regularly conducts research on transport sector problems in order to identify the major obstacles to the development of efficient transit transport systems along the major transit corridors which link landlocked developing countries to sea ports through their transit neighbours. ECA's findings suggest that the implementation of transit corridor agreements in general has been unsatisfactory. Weak implementation has been caused by, inter alia, inconsistency between national legislation and the provisions of the transit agreements resulting from different interpretations of the rights and obligations under the agreements, excessive bureaucracy (especially at the border crossing points) and the lack of adequate infrastructure facilities to cope with traffic volumes. In collaboration with the United Nations Development Programme (UNDP), the International Trade Centre (ITC), UNCTAD and the relevant subregional intergovernmental organizations such as COMESA, the Economic Community of West African States (ECOWAS) and SADC, ECA has embarked on a series of workshops to raise national, regional and sub-regional awareness of the benefits of transit corridor agreements. In all cases the target groups have been both government officials and private economic operators. The secretariats of the transit corridors are also actively involved in the above workshops. Further, ECA, through its advisory services, encourages landlocked developing countries to diversify their access to the external market through alternative transit corridors in order to engender competition.

Economic Commission for Europe (ECE)

41. ECE has developed a unique set of the international legal instruments governing international transport of goods and passage of vehicles. It has been recognized that these instruments contributes significantly to the opening up and integration of countries in the European and world economy. With regard to the international transport of goods, ECE has played a key role in putting in place various international conventions and agreements that regulate international rail and road traffic. A range of procedures for temporary importation, transport of dangerous goods, regulation of international transport operations and cross-border transport of goods have also been developed. ECE is promoting accession to and implementation of this set of legal instruments by all countries, including landlocked developing countries. Indeed, several landlocked developing countries have acceded to a number of these legal instruments.

42. ECE is also promoting subregional cooperation among its member States, with a view to enhancing the coordinated implementation of such legal instruments. In this respect, the following projects deserve to be mentioned: in the framework of the joint ECE/ ESCAP Special Programme for the Economies of Central Asia, a working group on transport and border crossing facilitation has been created. Its membership includes five central Asian States as well

as ECE, ESCAP and the UNDP office in Kazakhstan. The working group will focus on the programme's priority area of the development of transport infrastructure and cross-border facilitation.

43. The Southeast European Cooperative Initiative (SECI), supported and technically backstopped by ECE, was established with a view to encouraging cooperation among the countries of south-east Europe and to facilitate their integration in Europe. In the framework of SECI, the project group on transport infrastructure development along main international routes is involved, in close collaboration with other international organizations and the European Commission, in the development and optimization of conditions for using the transport infrastructure in the SECI region. The group examines a large number of projects related to road and rail infrastructure at border crossings and international transport routes in the SECI region. Several of these project proposals have been submitted to the World bank for funding. Another subject of interest to the SECI Governments is the possibility of reducing border crossing times for international passenger and goods shuttle trains in the region. To this end, an ad hoc group is working on developing the conditions for reducing waiting times.

44. In addition, the SECI project group on border crossing facilitation is preparing a memorandum of understanding which would provide for a quota free regime for bilateral and transit road transport of goods in all participating SECI States. The memorandum also foresees transparent charging policies and the development of an information system for road user charges at the international level. Moreover, the memorandum also foresees the establishment of a regional road transport committee of competent national governmental authorities to ensure proper monitoring and implementation of its provisions and to prepare, in the future, a possible multilateral regional road transport agreement that could also include provisions on passenger road transport. National committees, which work on the simplification and harmonization of procedures and practices in administration, commerce and transport, could participate in the meetings of the regional committee in a consultative capacity. The ECE secretariat has been invited to provide the regional committee with secretariat services.

International Air Transport Association (IATA)

45. The main aim of IATA, the global airline trade association with a membership of 257 carriers, of which 18 are based in landlocked developing countries is to promote safe, reliable and secure services and to develop collaboration among airlines and cooperation with ICAO. IATA's Multilateral Interline Traffic Agreements enable airlines to extend the full range of interline benefits to the most price sensitive and geographically isolated consumers. The multilateral IATA tariff coordination process was developed to facilitate agreements between airlines on fares. IATA programmes and activities support civil aviation in developing countries, and are concerned with, among other things, safety, the "millennium bug", the transport of endangered species and the enhancement and financing of the air traffic service (ATS).

46. Safety remains the highest priority of IATA; its most important strategic objective is to reduce the aircraft hull loss rate by 50 per cent by the year 2004. An important element of the

programme that is particularly relevant to smaller airlines is the "buddy system", under which major airlines help their smaller partners to develop a safety culture.

47. Safety has received special attention in Africa, especially on routes between southern Africa and Europe, where the growth in traffic has been accompanied by a rise in air traffic incidents. IATA has been cooperating with States and provider organizations to improve fixed and mobile communications and navigational aids to reorganize airspace and manpower. For example, significant improvements to pilot/controller communication systems have been made along the entire African route, especially in the Luanda and N'Djamena flight information regions.

48. Improved coordination between ATS units throughout southern Africa has resulted in the installation of essential communication links by the SADC Vectoral Satellite project.

49. A critical safety issue is the ability of computer systems to process data as we move into the next century (i.e. to cope with the "millennium bug" or "Y2K" problem); the airline industry as a whole is estimated to have invested over US$ 1,6 billion to resolve internal Y2K problems. In addition, IATA is spending US$ 17 million to assess Y2K preparedness in member countries, to increase Y2K awareness and to render assistance to airports. The goal is to ensure safety and business continuity with minimal impact on infrastructure capacity.

50. IATA operates a centralized billing and collection scheme for 25 ATS authorities around the world to ensure the timely collection of air navigation charges. Improved cash flow and collection has facilitated infrastructure improvements in numerous countries, including land-locked developing countries.

International Civil Aviation Organization (ICAO)

51. In order to address the particular needs and problems of landlocked developing countries, ICAO has undertaken activities in a number of Asian and African landlocked developing countries; In Botswana, ICAO is assisting the Department of Civil Aviation in upgrading and expanding the capacity of the civil aviation facilities in line with the provisions of national development plan, in Ethiopia, ICAO assists in monitoring the implementation of a project to expand and modernize Addis Ababa airport, in Lesotho, support is being provided in the implementation of a project to restructure Lesotho Airways, particularly in extending air transport to the rural and isolated population, in Rwanda, emergency assistance continues to be provided by UNDP and ICAO so that domestic air transport activities can be resumed and a civil aviation master plan prepared. ICAO is also undertaking a project to develop airport maintenance facilities and to provide on-the-job training of personnel in Uganda, a project to improve the air transport facilities in Zimbabwe, particularly in the area of flight safety control, a project to restructure the maintenance and flight operations organization of Lao Aviation in Lao People's Democratic Republic (including measures to improve the commercial viability of the airline), and a project to enhance the safety overflight capability of the Government of Mongolia, in Armenia, ICAO provides technical assistance and field experts for monitoring and assisting in the construction of the cargo terminal at Yerevan Zavrtnotz International Airport, in Azerbaijan, it is providing assistance for two projects, the Civil aviation 10-year master plan for the

development of the transport sector, and the Nakhchivan airport development plan aimed at the rehabilitation and modernization of the airport to meet the need of the isolated Nakhchivan enclave for air links with the rest of Azerbaijan and the outside world.

International Finance Corporation (IFC)

52. While IFC has no particular policy to address the needs of landlocked developing countries, it has been involved in financing a number of private-sector projects in Latin America designed to improve the regional transportation infrastructure links that are critical for the trade flows and economic activities of landlocked developing countries. Recently, for example, it has been involved in financing Central Aguirre, a grain-handling port and free trade area on the Paraguay river in Bolivia, and Cb Transportes, a Chilean company involved in the provision of freight railroad services in Chile and Bolivia. In addition, IFC is currently appraising a number of projects supporting railways, highways and ports in Latin America, Asia and Africa that are expected to lend to substantial improvements in regional transportation links.

International Maritime Organization (IMO)

53. IMO is fully aware of the difficulties of landlocked developing countries and strives to involve as many landlocked developing countries as possible in its technical cooperation activities. As part of its technical cooperation programmes, IMO established the World Maritime University, in Sweden, and the International Maritime Law Institute, in Malta, as unique international centres of excellence to cater to the practical needs of developing states in the maritime field. IMO helped to secure a total of 25 fellowships for participants from eight African landlocked countries in the period 1992-1997 for training at the above institutions. A subregional seminar entitled "Women in the maritime sector: opportunities and challenges" was held in Mangochi, Malawi, in October 1997, funded under the women in development component of the IMO-Norway Cooperation Programme. One-day national seminars were also conducted at Malawi Polytechnic College and at Chancellor College. IMO also conducts maritime legislation needs assessments. In 1999, missions are scheduled to Ethiopia and Zambia. Bolivia and Paraguay are members of the regional network of maritime authorities from south America, Mexico and Panama known as ROCRAM, with which IMO cooperates in all its regional technical assistance activities in Latin America. The two Southern American landlocked countries are therefore systematically invited to participate in all such activities. In the period 1993-1998, 21 fellowships were granted to nationals of Bolivia and Paraguay.

54. Following the sinking of the Bukoba on Lake Victoria in May 1996 which resulted in the deaths of more than 500 people, the Secretary-General of IMO offered long-term technical assistance to improve safety of navigation on Lake Victoria. IMO has produced a project document entitled "Enhancement of safety of navigation on Lake Victoria"; the project is budgeted at $US 13.54 million, and IMO is seeking donor funding to implement the project over a five-year period. The main objective of this project is to improve maritime safety on Lake Victoria by enhancing and developing communications, aids to navigation, search and rescue, and hydrography.

International Monetary Fund (IMF)

55. IMF policy is to extend uniform treatment to all members while seeking to meet their particular needs and circumstances. Within this overall policy, as at December 1998, the outstanding use of the IMF resources under all facilities by landlocked developing countries totaled special drawing rights (SDR), 2.2 billion or (US$ 3.1 billion). Up to December 1998, 25 three-year under the Enhanced Structural Adjustment Facility (ESAF) arrangements and three additional annual ESAF arrangements had been approved for 16 landlocked developing countries at a total commitment of SDR 2.8 billion, of which SDR 2.4 billion has been disbursed.

56. Also, seven landlocked developing countries made use of IMF resources under standby arrangements and Zimbabwe made use of the extended fund facility during a 12-year period ending in 1998. Total commitments for landlocked developing countries under the two facilities during this period amounted to SDR 731 million, of which SDR 278.9 million was disbursed.

57. During the 12-year period ending in December 1998, four landlocked developing countries made purchases under the compensatory and contingency financing facility, amounting to a total of SDR 104 million. Since 1995, one landlocked developing country (Rwanda) has made use of the post-conflict emergency assistance.

58. The IMF has provided its members with technical assistance and training in economic and financial matters. Such assistance and training continue to be important elements of the relations between the IMF and its members, who have sought assistance on a wide range of issues, from broad policy issues related to stabilization and adjustment policies and external debt management, to more specialized technical, legal and data-processing matters. Training is provided both at headquarters and overseas by the IMF Institute and by many other IMF departments, including those dealing with monetary and exchange affairs, fiscal affairs, legal matters and statistics, as well as the Bureau of Computing Services. Since January 1998, almost all landlocked developing countries have received some form of technical assistance from the IMF.

59. By September 1998, the executive boards of the World Bank and the IMF had agreed to extend under the Heavily Indebted Poor Countries Initiative assistance to seven countries, including four landlocked countries, namely, Uganda, Bolivia, Burkina Faso and Mali.

Universal Postal Union (UPU)

60. UPU is presently implementing its programme of technical cooperation for the period of 1996-2000. While the programme does not include any specific activities related to landlocked developing countries, its main orientation is towards achieving improvements in developing countries, and of 86 projects currently funded by the UPU, 29 are implemented in landlocked developing countries. These projects are mainly in the sphere of human resource development and improvement of infrastructure equipment. At the twenty-second Congress of the UPU, to be held later in 1999 in Beijing, China a new programme of technical cooperation for the period

of 2000-2004 will be adopted under which UPU will continue to implement programmes in landlocked developing countries.

Islamic Development Bank (IDB)

61. In formulating policies and measures, IDB has always been taken into account the problems of its land-locked developing members countries (Afghanistan, Burkina Faso, Chad, Niger, Tajikistan and Uganda). IDB has several specific programmes such countries which enjoy concessionary loan facilities (15 to 25 year maturity, 3 to 7 year grace period, and 2.5 per cent annual service fee) and special loan facilities (30-year maturity, 10-year grace period, and a 0.75 per cent annual service fee). IDB also extends technical assistance to facilitate project preparation and appraisal, and capacity-institution-building.

62. In addition to the above facilities, landlocked developing countries have access to other non-concessionary financing windows. So far, the assistance to these countries has been mainly focused on projects in the areas of health, education, agriculture and food security, and infrastructure development.

Organisation for Economic Cooperation and Development (OECD)

63. OECD is not itself an aid donor organisation, but its Development Assistance Committee (DAC) monitors and reviews the aid efforts of its members. On the basis of the statistics compiled by DAC on aid flows to each landlocked developing country and best estimates of total aid commitments to the transport and communications sector, it can be observed that although OECD member countries continue to channel resources to the development of transport and communications systems, the transport sector has certainly not been a priority destination for financial and technical assistance and foreign investment. On average, only 9 per cent of total ODA provided by OECD member countries to landlocked developing countries in 1997 was allocated to their transport and communication sector, although the percentage varies quite widely from country to country. Afghanistan, the Central African Republic, Chad, Mongolia, Paraguay, Swaziland and Uganda have spent negligible amounts of this ODA on programmes supporting the transport sector, while Armenia, Bhutan, Kazakhstan, Kyrgyzstan, Nepal, Tajikistan and Zambia have spent a relatively larger share (about 25 per cent) on such programmes.

United Nations Environment Programme (UNEP)

64. UNEP within its overall mandate, provides assistance to landlocked developing countries in the area of trade and environment. UNEP continues to examine the compatibility as well as the complementarity of trade and environmental policy to ensure sustainable trade and development. Its intention is to provide more robust quantitative and qualitative data to decision ...akers on the environmental benefits of removing trade restrictions and distortions in various key sectors, including agriculture, energy, fisheries, transport, textiles and services. This will directly benefit many landlocked countries, which face prohibitively high prices for the inputs necessary for their economic growth.

65. UNEP also undertakes work to ensure consistency between national priorities and international obligations under international environmental agreements. In this respect, it assesses the performance indicators associated with multilateral environmental agreements, with a focus on analysis, methodology and reporting, and examines the trade and economic implications of implementing various conventions. Such work will assist developing countries and countries with economies in transition, including landlocked countries, in addressing areas of increasing importance to trade policy, including the implications of certain environmental principles for trade and commercial policy.

66. Although UNEP's environmental law programme has not taken any specific action related to the particular needs and problems of landlocked developing countries, it has provided advisory services and training on environmental law to land-locked developing countries. Botswana, Burundi, Chad, the Democratic Republic of the Congo, the Lao People's Democratic Republic, Lesotho, Niger, Rwanda, Uzbekistan, Zambia and Zimbabwe have benefited directly from these activities, in which increasing emphasis is placed on the national implementation of international obligations under environmental conventions as well as on the harmonization of environmental legislation among neighbouring countries.

67. Also, UNEP has been providing assistance to the Caspian States, including Azerbaijan, Kazakhstan and Turkmenistan, in the drafting of a framework convention for the Caspian Sea environment. Under the Caspian Environment Programme of UNDP and the Global Environment Facility, UNEP has responsibility for activities related to the legal, regulatory and economic framework at the regional and national levels.

United Nations Industrial Development Organization (UNIDO)

68. Although UNIDO has no specific programmes on landlocked and transit developing countries, it has provided support to them through its technical cooperation activities, its product-related work, various services and specific projects. Within the framework of its product-related activities, UNIDO attaches particular attention to increasing the value-added content, increasing the value of products vis-à-vis transport costs, improving quality and shelf life to allow for longer transport periods, and improving the packaging of goods to reduce transport related damage. Many landlocked developing countries have benefited from these activities. Service-related activities are aimed at promoting acceptance of quality certificates to reduce handling times at borders, facilitating partnership arrangements for cross-border cooperation, and decentralizing decision making process for local and regional development.

69. UNIDO is implementing a variety of projects to develop small and medium-sized enterprises in landlocked developing countries such as Bolivia, the Central African Republic, Ethiopia, Kazakhstan, Kyrgyzstan, Lesotho, Malawi, Zambia and Zimbabwe.

World customs organization (WCO)

70. Customs procedures play a crucial role in any international transaction, as their complexity and diversity affects world trade. One the founding objectives of WCO was to secure the highest degree of harmony and uniformity in customs processes, as expressed in the Kyoto Convention on the Simplification and Harmonization of Customs Procedures. WCO is currently finalizing a revision of the Kyoto Convention to ensure that it fully meets present and future needs of all the international trade partners. The revision will be the official WCO model for customs procedures in the twenty-first century, and is expected to be adopted by the WCO Council in June 1999.

71. The revised Convention will contain a new general annex comprising 10 chapters covering the essential procedures and practices to be implemented by all contracting parties. Acceptance of the general annex will be obligatory for all contracting parties and no reservations will be allowed against its provisions. There will also be several specific annexes covering individual customs procedures, including transit, trans shipment and temporary admission. Part of the revision process is to develop implementation guidelines for each annex and chapter to assist customs administrations in putting the legal provisions of the Convention into effect at the practical level. The revised transit procedures have been designed to cover all means of transport (road, rail, air, river and sea), and to facilitate fully international movement of goods. The specific annex on transit is based on the two principles of eliminating the difficulties faced by carriers and ensuring customs administrations have a control system that provides proper protection of each country's revenue. The annex covers modern enforcement techniques used by customs authorities such as risk assessment and selectivity, audit-based controls and mutual administrative assistance. The implementation of these customs transit principles will therefore contribute to the implementation of a common customs policy by landlocked developing countries and to a more reliable and effective worldwide customs transit procedure.

72. The specific annex on temporary admission also complements another important instrument of WCO, the Convention on Temporary Admission (Istanbul Convention), adopted in 1990. This instrument addresses issues relating to international carnets that are supported by a system of international guarantees allowing the temporary import of goods using internationally accepted documents and security, thereby greatly facilitating trade and economy.

III. Conclusion

73. Both individual countries and international organizations responded to the request by the Secretary-General of UNCTAD for information on policies and actions taken or envisaged taking to develop transit transport systems. While the response was reasonable, a larger number of replies with a greater degree of detail would have made is possible to draw more substantive conclusions. However, the replies received do provide a reasonably adequate picture of the main developments, obstacles, policies and activities at the national, subregional and international levels in the area of transit transport systems.

74. The replies underline that the development of rail and road services is particularly important in achieving better functioning transit transport systems. The development of the physical infrastructure remains a major concern for most landlocked and transit developing countries. Landlocked and transit developing countries have continued to make significant investments in their infrastructure development, subject to the availability of financial resources. The major sources of such investment, in the form of grant aid or soft loans have been their development partners with regional development banks, the World Bank, the European Union and Japan prominent among them. Member states and relevant international organizations have made progress in improving sectoral aspects of transit transport, in particular in the development of sea and inland ports and air safety measures. Efforts have also been made to build up a broader consensus on and a better understanding of various aspects of transit trade at the national and subregional levels through a wide range of workshops for both government officials and the business community, mainly organized by international organizations.

75. Though OECD members have channeled resources to the development of transit transport systems, their financial assistance and foreign investment in the transport sector have been insufficient given that most land-locked developing countries and their transit neighbours have a relatively under-developed physical infrastructure. On average, a mere 9 per cent of total ODA provided by OECD members in 1997 was allocated to the transport and communication sector of landlocked developing countries although allocations vary greatly from country to country.

76. Recently, a few countries have adopted policies and measures to encourage the involvement of the private sector in transit transport operations and to liberalize transport services. Such measures are expected to improve the commercial viability of the transit transport sector and the quality of services and to lend to a reduction in the cost to the customer.

77. Transit traffic is greatly facilitated by bilateral and regional agreements and arrangements which establish the principles and modalities that govern the development of the transit infrastructure, day-to-day management and maintenance and transit procedures. Since 1997, a number of important bilateral agreements have been signed in the field of transit transport. Their effective implementation would further reduce the delays in transit traffic caused by physical and non-physical barriers. In addition, regional agreements within the context of regional integration have been a major vehicle for promoting cooperative arrangements. Also, a number of important regional agreements have been concluded. In many instances, however, the implementation of agreements and arrangements remains weak, owing to the lack of effective monitoring and enforcement mechanisms or the lack of political will on the part of the signatories.

78. At the multilateral level, there is a wide range of conventions relevant to transit traffic, which set out principles for promoting efficient and reliable transit transport systems. Accession to these conventions by landlocked and transit developing countries has so far been slow, although regional economic commissions such as ESCAP and ECE have made focused efforts to promote these conventions.

79. The costs of establishing and maintaining an efficient transit transport system are often so high that landlocked and transit developing countries cannot accomplish this formidable task without adequate support from the international donor community in the shape of advisory and technical services and financial resources.

80. Although most international financial and economic organizations do not have specifically tailored programmes to address the particular needs and problems of landlocked developing countries as a category, most of these countries are eligible for soft window facilities as they are amongst the poorest. As transport costs are a determining factor in any country's external trade performance, most of the replies focused on the transit transport sector. High transport costs erode the competitive edge of landlocked developing countries and have a negative impact on their overall socioeconomic development. Statistics suggest that, on average, landlocked developing countries spend 17.7 per cent of their export earnings on transport services, compared with an average of 8.7 per cent for all developing countries. It is thus necessary to enhance the capacity of landlocked developing countries to participate effectively in the globalizing world economy and international trading systems through increased market access, technology transfer and foreign investment, as well as through human resource development and institution-building.

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Meeting of Governmental Experts from
Landlocked and Transit Developing Countries and
Representatives of Donor Countries and Financial
and Development Institutions
New York, 24-26 August 1999

POLICIES AND ACTIONS TAKEN BY INDIVIDUAL COUNTRIES, AND BY INTERNATIONAL ORGANIZATIONS TO IMPROVE TRANSIT TRANSPORT SYSTEMS

Note by the UNCTAD secretariat

Executive Summary

This document contains the response of the Government of the People's Republic of China to the letter of the Secretary-General of UNCTAD requesting information on policies and actions to improve transit transport system.

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People's Republic of China

1. With its vast territory, a long coastline and borders with many countries China was a major transit country in Asia. Today, China provides transit to a large number of countries including States in Central and East Asia. Thus, China attaches great importance to developing its transit transport systems in order to provide neighboring countries with high-quality transport services. In 1991, China's Lanzhou-Lianyungang transcontinental railway was connected with the Kazakhstan railway system. China is also holding discussions with the UNDP on a project to further develop the Eurasian transcontinental bridge region, implementation of which is expected to start this year.

2. The Government of China is aware of the importance of harmonization, simplification and standardization of transit-trade procedures in improving transit systems. The Government of China made efforts to streamline the transit transport procedures to further facilitate smooth movement of goods in transit. "The operating procedures for international transit container traffic along the Eurasian Continental Bridge" was prepared by the relevant departments of the Chinese Government. The Ministry of Transport used the above procedures as a basis for harmonizing transit charges for international container traffic. The General Customs Administration introduced also the rules for inspection of goods in transit. The establishment of a coordinating group consisting of representatives from relevant ministries and departments is considered to be an important step in further improving coordination and cooperation between different agencies dealing with transit trade. Information and training centres on transit traffic have been set up with the financial assistance of UNDP.

3. The Ministry of Transport has been implementing measures designed to reduce transit transport delays in main ports such as Lianyungang, Qingdao and along the main transit corridors. For example, transit time from Lianyungang port to the China-Kazakhstan border was reduced from 18 to less than 5 days in recent years. At the same time, the Department of Ports has reduced harbour fees. Thanks to these efforts the number of countries that use China's transit services is increasing. The volume of transit traffic has been rising rapidly. The Government of China recognizes that transit traffic is greatly facilitated by bilateral and regional agreements and arrangements which establish the principle and modalities that govern the development of transit infrastructure, day-to-day management and maintenance and transit procedures. China attended as an observer the signing ceremony of the Basic Multilateral Agreement on International Transport for the Development of the Transport Corridor Europe-Caucasus-Asia, which was held in Baku, Azerbaijan in 1998.

4. China faces increasing competition from its neighbouring States, which decreases the profit margin for transit transport services. The act of efficient tracking and information system and lack of intergovernmental agreements on matters such as pricing, security and services were major barriers in developing more efficient transit transport systems.